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C O N F I D E N T I A L SECTION 01 OF 02 CHENGDU 000098

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SUBJECT: CHENGDU PETROCHINA PROJECT PROTEST

REF: 06 CHENGDU 1161

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CLASSIFIED BY: James A. Boughner, Consul General, U.S. Consulate General, Chengdu.

REASON: 1.4 (b), (d)

¶1. (C) Summary: Summoned by anonymous text messages, a crowd of 100 or more protestors gathered in Chengdu on May 4 to express their opposition to the construction of a large chemical plant north of the city. The project in question is a USD 5.5 billion joint investment by PetroChina and the Sichuan Provincial Government. Although the protest occurred next to Sichuan's largest university, the crowd was composed mainly of middle class urban residents who perceive a threat to property values and Chengdu's quality of life. Long a focus of local controversy, the plant is apparently a "pet project" of Sichuan Vice Governor Huang Xiaoxiang. A government official in the locality where the plant is being constructed complained to us land was requisitioned at a discounted price. According to a Consulate contact, Chengdu-based human rights activist Chen Yunfei was involved in the protest and was briefly detained and questioned by security officials following its conclusion. End Summary.

¶2. (SBU) Beginning about 2:00 pm on a pleasantly warm Sunday afternoon of May 4, a group estimated to contain from 100 to 500 people (depending on the source) gathered on a shady Chengdu street to protest against the construction of a large ethylene plant and oil refinery on the outskirts of the city. Although none of the protestors carried signs or shouted slogans, many protestors wore surgical facemasks as a gesture of concern over possible future effects of the plant on air and water quality in the city. The protestors walked up and down a stretch of road just outside the east gate of Sichuan University for about two hours, and although several dozen uniformed officers (and perhaps undercover officers as well) shadowed the marchers, the incident ended without official interference around 5:00 pm.

THE PENGZHOU REFINERY

¶3. (SBU) The spark for the protest was news that PetroChina had begun the construction of its USD 5.5 billion ethylene plant and oil refinery in Longfeng Township, located in the county-level city of Pengzhou about 25 miles north of Chengdu. By all accounts the plant is a large project. PetroChina has announced that upon completion it will produce 800,000 metric tons of ethylene and 10 million metric tons of refined petroleum annually, with a projected annual sales volume of 50 billion RMB (USD 7.1 billion). The plant will occupy 400 hectares (988 acres) of what was previously prime farmland, and is slated for completion in 2010.

¶ 4. (C) According to Sichuan Petrochemical Association Vice Chairman Zhang Ke, the project is funded by PetroChina (a 75 percent share) and the Sichuan Provincial Government (25 percent). Well-connected Chinese-American contacts in the local business community have told us that the plant is also a "pet project" of Sichuan Vice Governor Huang Xiaoxiang. On March 8, 2007 PetroChina and provincial authorities hosted a signing ceremony in Beijing attended by Sichuan Governor Jiang Jufeng and Chengdu Party Secretary Li Chuncheng.

¶ 5. (C) The plant has long been the focus of local controversy. Environmental activists have warned that the plant will foul Chengdu's air and water, and that transportation of its products on Sichuan's crowded highways will heighten the risk of a spill of hazardous materials. One such critic is Chengdu Institute of Mountain Hazards and Environment (an office of the Chinese Academy of Science) Senior Researcher Chen Guojie (strictly protect), who has also been a vocal critic of the Three Gorges Dam project. He told us in 2006 that the Pengzhou plant ranked as one of the most significant threats to Chengdu's environment (reftel).

¶ 6. (C) An official in the Pengzhou government told us of his own dissatisfaction with the project, claiming that it posed a far greater threat to the environment of Pengzhou than it did to Chengdu. He also alleged that, while Pengzhou had been compelled to provide the land for the plant at the supposedly discounted price of 30,000 RMB (USD\$4347) per mu (0.12 acres), almost all of the profit from project would flow to other governmental units -- the Central Government (presumably through PetroChina) as well as Sichuan and Chengdu.

THE PROTESTORS

¶ 7. (C) On the morning of May 4, many Chengdu residents began

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receiving text messages beginning with the words "Petrochemical Project Alert." Those messages warned, "downtown Chengdu will be severely polluted" as a result of the construction of the plant, and urged recipients to gather in the area outside the Sichuan University gate to "express your anger." According to local contacts, most of the marchers were Chengdu city residents, the majority of whom were middle to upper class, with a smattering of local human rights and environmental activists. Despite the location of the protest just outside Sichuan's largest university, there were apparently few if any students involved in the protest.

¶ 8. (C) There are varying accounts of how the text message campaign started, but local contacts tell us that Chengdu-based human rights activist Chen Yunfei was involved. Chen was purportedly responsible for the placement of an advertisement in a local paper last summer that memorialized the victims of the 1989 Tiananmen massacre. According to one contact, after the Sunday demonstration Chen was briefly detained by the Ministry of State Security and then released. Other activists supposedly involved were Huang Xiaoming, Yang Yusheng, Wen Di, and Fan Xiao (the last two mentioned in media accounts as well).

¶ 9. (SBU) Although authorities did nothing to stop the protest, the next day (May 5), the Chengdu Commercial News ran a front-page interview with PetroChina Deputy General Manager and Chief Engineer Zhang Dongping, in which Zhang defended the project as "safe and environmentally friendly." The interview also noted that the project had received approval from the National Development and Reform Commission.

COMMENT

¶ 10. (C) With its largely middle class participants, the incident evokes two other recent protests in other cities in China, one in Shanghai against the extension of the Maglev, and the other

in Xiamen against the construction of a chemical plant. The Pengzhou project appears to threaten some of the "core values" that Chengdu residents (especially property owners) hold dear -- especially the city's relative lack of heavy industry and abundant water supplies. These same "core values" have served to attract significant amounts of investment in the relatively "clean" high tech sector to the city (Intel is one prominent example), and we have been told by some local business contacts that they see the project as a potential threat to attracting future private investment. Controversy over the project may run deep among the area's economic and political elites.

BOUGHNER